September 25, 2012

Robert E. Feldman, Executive Secretary
Attention: Comments/Legal ESS
Federal Deposit Insurance Corporation
550 17th Street, NW
Washington, DC 20429

RE: FDIC/RIN 3064-AD95 (Basel III NPR)

Dear Mr. Feldman:

We are about a $100 million total asset based bank in a small town in Northern Minnesota. Specifically, your proposed REM categories are unfair on risk weights and unusable to banks our size in our type of community.

We cannot keep mortgages in our portfolio for 15-30 year terms with a 2-6% year/Term maximum. In fact, back in 1979-1982 if I would have had one half of my 1-4 residential mortgage portfolio in Category 1 ARM's, I wouldn't be in banking today. We would have gone under.

Our business model is to use the one to three year balloons. Most times at renewal we talk to our customers, order new credit reports and discuss any aberrations that may affect their ability to continue payments. We have always had an 80% LTV rule and require the loan officer to personally view the REM collateral as to value as well.

Since January 1, 2008, while home values have dropped 30% in our area, we have only taken four Deeds in Lieu and done two foreclosures on 1-4 REM. One foreclosure involved sole mortgagors death and the other a bankruptcy.

It's anathema to me to make a loan and tell the customer "thanks and see you in 15-30 years." Doing it our way helps the consumer and us to maintain the relationship and gives us an early warning system.

Your proposal doubles our risk weights on REM and flies in the face of what I was taught to be prudent banking by pushing us to abandon what has always worked for us. One size simply does not fit all!

Sincerely,

Charles H. Nelson, President
CHN/jas